

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 IO-10 EB-07 COME-00 TRSE-00 AGR-05

FEA-01 OMB-01 AEC-05 ACDA-05 /093 W

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R 310915Z JAN 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6600

INFO AMEMBASSY ABU DHABI

AMEMBASSY ISLAMABAD

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

AMEMBASSY BEIRUT

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

C O N F I D E N T I A L SECTION 1 OF 2 NEW DELHI 1421

BEIRUT FOR BAGHDAD

E.O. 11652: GDS

TAGS: PFOR, IN, TC, BA, IZ

SUBJECT: IRAQ, UAE AND BEHRAIN EXCHANGE VISITS WITH INDIA

REF: NEW DELHI 13398 AND BAGHDAD 72

SUMMARY: VISITS THIS MONTH OF INDIA BY THE PRESIDENT OF THE UAE AND THE FOREIGN MINISTER OF BAHRAIN AND TO IRAQ BY INDIAN PRIME MINISTER INDIRA GANDHI HAVE PRODUCED FEW CONCRETE REEULTS. NO AGREEMENTS FOR OIL SUPPLY ON CONCESSIONAL TERMS WERE SIGNED, PERHAPS BECAUSE INDIA WANTS BETTER TERMS THAN IN THE PAST. NOR DID INDIA NAIL DOWN ANY JOINT PROJECTS FOR INVESTMENT HERE, IN THE GULF OR ELSEWHERE. INDIA DID GET A CHANCE TO SHOW
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TWO LEADERS OF THE LOWER GULF SOMETHING OF MODERN, SECULAR INDIA,

AND INDIAN OFFICIALS ARE HOPEFUL THAT ECONOMIC COOPERATION WITH THEM AND WITH IRAQ WILL INCREASE. THEY SEE THE DECISION TO ALLOW A PLO OFFICE IN DELHI AS HELPING TO REFURBISH INDIAN CREDENTIALS IN THESE COUNTRIES. END SUMMARY.

1. UAE PRESIDENT EHEIKH ZAYED VISITED INDIA JANUARY 1 TO 5, ACCOMPANIED BY MINISTERS OF FINANCE, FOREIGN AFFAIRS, WATER AND ELECTRICITY, AND PETROLEUM AND INDUSTRY. NO SOONER HAD HE LEFT THAN THE FOREIGN MINISTER OF BAHRAIN APPEARED FOR ANOTHER FIVE DAY VISIT. THEN, FROM JANUARY 18 TO 21, MRS. GANDHI MADE THE FIRST VISIT BY AN INDIAN PRIME MINISTER TO IRAQ.

2. OIL: INDIA HAS BEEN GETTING 2.8 MILLION TONS OF CRUDE A YEAR ON SOFT TERMS FROM IRAQ AND NONE FROM THE UAE. INDIAN OFFICIALS AND UAE REPRESENTATIVES IN DELHI TELL US THAT SHEIKH ZAYED OFFERED CRUDE TO INDIA ON A DEFERRED PAYMENT BASIS BUT THAT THE PRECISE TERMS HAVE YET TO BE DECIDED. THE JOINT SECRETARY OF THE WEST ASIA DEVISION OF THE FOREIGN MINISTRY, S.K. BHUTANI, CONFIRMED PRESS REPORTS THAT A MILLION TONS A YEAR WAS MENTIONED, BUT HE INSISTED THAT THIS WAS ONLY IN ROUGH TERMS. AS FAR AS IRAQ IS CONCERNED, INDIAN OFFICIALS SAY THAT THE SUPPLY IN 1975 WILL EQUAL 1974 AND THAT THIS WILL BE ON SOFT TERMS, ALTHOUGH THESE HAVEN'T BEEN WORKED OUT. IN BOTH CASES, WE BELIEVE, INDIA IS BARGAINING FOR THE BEST DEAL IT CAN GET. BHUTANI HAS BEEN SAYING FOR SOME TIME THAT INDIA CANNOT AFFORD TO BUY MUCH MORE OIL ON THE TERMS NOW BEING OFFERED (LOW INTEREST RATES, BUT REPAYMENT IN FIVE - TEN YEARS). WE HAVE HEARD SEPARATELY THAT INDIA WANTS TEN YEARS' GRACE, AND FIFTEEN YEARS' REPAYMENT. GIVEN THIS POSITION, IT MUST HAVE COME AS QUITE A SHOCK TO INDIA TO FIND IRAQ, WHICH IT HAS ALWAYS THOUGHT OF AS A GOOD FRIEND, SUDDENLY ASKING FOR CASH ON THE BARRELHEAD. (BAGHDAD 72.)

2. INVESTMENT: INDIA HOPES THAT THESE COUNTRIES WILL A) FOLLOW THE IRANIAN PATTERN AND INVEST IN PROJECTS IN INDIA FOR EXPORT TO THE GULF (E.G. CEMENT), AND B) GIVE INDIAN PUBLIC OR PRIVATE SECTOR COMPANIES CONTRACTS FOR PROJECTS IN THEIR OWN COUNTRIES AND ELSEWHERE. INDIA GOT NOTHING SPECIFIC AS A RESULT OF THE THREE VISITS, AND IT IS SLIGHTLY PEEVED WITH AT LEAST IRAQ AS A RESULT. INDIAN OFFICIALS NOTE THAT MRS. GANDHI'S VISIT TO IRAQ WAS ADVANCED BY A MONTH OR TWO BECAUSE OF EXPRESSION OF CONFIDENTIAL

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CONCERN BY THE IRAQI EMBASSY HERE FOLLOWING THE SHAH'S VISIT TO DELHI LAST FALL. THOSE OFFICIALS SAY THAT IF THE VISIT HAD BEEN A FEW MONTHS LATER, THEY MIGHT HAVE HAD TIME TO USE IT TO GET SOME CONTRACTS READY TO BE SIGNED DURING THE VISIT. AS IT IS, MRS. GANDHI'S VISIT WAS ONLY AN OPPORTUNITY TO COMPLAIN ABOUT IRAQ'S FAILURE TO GIVE INDIA ANY CONTRACTS IN FIELDS WHERE IT IS COMPETING AND EVEN, IN SOME CASES, HAS DONE PRELIMINARY SURVEYS FOR IRAQ (E.G. RAILROADS). INDIA MAY HAVE NOTED TO

IRAQ THE GREATER SUCCESS INDIA HAS HAD IN SELLING TO IRAN.
AT THE SAME TIME INDIAN OFFICIALS TELL US THEY HAVE MADE THE
THE GREATEST EFFORT BOTH WITH IRAN AND IRAQ TO REMAIN ALSO OF
FROM THE BILATERAL POLITICAL PROBLEMS BETWEEN THEIR STATES.

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C O N F I D E N T I A L SECTION 2 OF 2 NEW DELHI 1421

BEIRUT FOR BAGHDAD

3. WITH THE UAE AND BAHRAIN, DISCUSSIONS WERE APPARENTLY MORE
EXPLORATORY. INDIA HAS DONE OR IS DOING PRELIMINARY SURVEYS
FOR A FERTILIZER PLANT AND A SPONGE IRON PLANT IN THE UAE,
BUT IT HAS NOT AROUSED MUCH UAE INTEREST IN PROJECTS IN INDIA.
SOME INDIAN OFFICIALS DOUBT INDIA'S COMPETITIVENESS IN PROJECTS
SUCH AS FERTILIZER AND SPONGE IRON IN COUNTRIES WHICH CAN BUY
THE BEST TECHNOLOGY ANYWHERE AND HAVE NO PARTICULAR POLITICAL
INCENTIVE FOR TURNING TO INDIA. WITH BAHRAIN, THERE ARE REPORTS
OF INDIAN CONSTRUCTION OF A DRY-DOCK, BUT INDIAN OFFICIALS SAY
THAT THIS WAS ESSENTIALLY AN IDEA THROWN OUT AT A PRESS CONFERENCE

BY THE SHEIK AND WAS NOT DISCUSSED BILATERALLY, ALTHOUGH THE VISIT OFFERED AN OPPORTUNITY TO EXCHANGE GENERAL VIEWS ON THE TYPE OF PROJECTS INDIAN MIGHT UNDERTAKE.

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4. TECHNICAL ASSISTANCE: INDIA IS AN IMPORTANT SOURCE OF TECHNICAL EXPERTS FOR THE GULF, AND GOVERNMENTS THERE WAS INCREASINGLY DOING THEIR RECRUITING THROUGH THE GOI. THEY OF COURSE CAN AFFORD TO AND DO PAY THE FULL COST. IRAQ HAS 500 INDIAN EXPERTS ACCORDING TO THE FOREIGN MINISTRY, AND WILL GET MORE AS REQUIRED. HERE AGAIN, HOWEVER, THERE IS A NOTE OF UNHAPPINESS IN THE INDIAN OFFICIALS SAY THEY DON'T WANT THEIR SPECIALISTS TO BE CONSIDERED "CHEAP" BY IRAQ, WHICH THEY FEEL SHOULD PAY A FAIR WAGE. INDIAN OFFICIALS CAN'T QUOTE A FPAQEE FOR THE NUMBER OF INDIANS IN UAE AND BAHRAIN, WHICH HAVE RECRUITED INDIANS AT ALL LEVELS PRIVATELY FOR YEARS, BUT THEY DO BELIEVE THAT DEMAND FOR INDIVIDUAL INDIANS AND INDIAN CONSULTING FIRMS WILL INCREASE THERE. THE GOI OBJECTIVE IS TO TRY TO GET A LARGER SHARE OF THOSE EXPATRIATE WORKERS' REMITTANCES, BY AGREEMENT WITH THE GOVERNMENTS WHICH RECRUIT THEM IF POSSIBLE, AND TO PREVENT TOO GREAT AN OUTFLOW OF SKILLS CRITICALLY NEEDED IN INDIA (E.G. DOCTORS).

5. INTANGIBLES: INDIA CONSIDERED THE VISIT OF SHEIKH ZAYED IN PARTICULAR AN OPPORTUNITY TO SHOW INDIA TO AN ARAB LEADER WHO HAS CLOSE TIES TO PAKISTAN. TO PROVE INDIA'S SECULAR NATURE, IT TOOK HIM TO ALIGARH MUSLIM UNIVERSITY. IT ALSO SHOWED HIM INDIAN INDUSTRY AND TECHNOLOGY, INCLUDING THE BHABHA ATOMIC RESEARCH CENTER IN BOMBAY. DURING THE VISITS, INDIA SIGNED CULTURAL AGREEMENTS WITH BOTH THE UAE AND BAHRAIN AND ESTABLISHED A JOINT COMMISSION WITH THE UAE. (INDIA ALREADY HAS A JOINT COMMISSION WITH IRAQ, WHICH MET FOR THE FIRST TIME JUST BEFORE MRS. GANDHI ARRIVED.) IN THE COMMUNIQUE WITH BOTH IRAQ AND THE UAE, INDIA GOT ENDORSEMENT OF THE INDIAN OCEAN ZONE OF PEACE AND APPRECIATION FOR THE PROGRESS ACHIEVED TOWARD NORMALIZATION IN THE SUBCONTINENT. IN THE CASE OF THE UAE, INDIA GOT ENDORSEMENT OF "THE NEED TO DEVELOP NUCLEAR ENERGY FOR EXCLUSIVELY PEACEFUL PURPOSES AND FOR PROMOTING RAPID ECONOMIC DEVELOPMENT IN ALL COUNTRIES" AND OF UNIVERSAL DISARMAMENT, INCLUDING A BAN ON USE OF NUCLEAR WEAPONS AND DESTRUCTION OF STOCKPILES. IN THE CASE OF IRAQ, INDIA EMPLOYED THE SAME FORMULA AS USED WHEN

THE SHAH VISITED IN REFERRING TO IRAN-IRAQ PROBLEMS. ALL THREE COMMUNIQUE, OF COURSE, STRONGLY ENDORSED THE ARAB POSITION ON ARAB-ISRAEL ISSUES.

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6. MILITARY: FOREIGN MINISTRY OFFICIALS SAY INDIA WILL PROVIDE MORE MILITARY TRAINING AND EXPERTS TO IRAQ IF ASKED, BUT THEY DON'T ANTICIPATE INDIA GETTING INTO THE BUSINESS OF ESTABLISHING SPECIAL COURSES FOR IRAQI MILITARY STUDENTS. WITH THE UAE, WE HAVE NO INDICATION WHETHER INDIA DISCUSSED WITH SHEIKH ZAYED ABU DHABI'S MILITARY TIES TO PAKISTAN, BUT WORKING LEVEL INDIAN OFFICIALS INVOLVED IN THE VISIT PROFESS NOT TO SEE ABU DHABI AS SOURCE OF RESERVES (PARTICULARLY AIRCRAFT) FOR PAKISTAN IN TIME OF WAR.

7. PLO: INDIAN OFFICIALS MAINTAIN THAT THE ANNOUNCEMENT OF ESTABLISHMENT OF A PLO OFFICE IN DELHI WAS NOT DIRECTLY RELATED TO THE VISITS, EVEN THOUGH IT OCCURRED IN THE MIDST OF THE SERIES. THEY ADMIT, HOWEVER, TO GREAT INTEREST IN THE PLO BY ALL THREE COUNTRIES INVOLVED IN THE VISITS. ONE OFFICIAL SAID THAT "DOUBTS HAD CREPT INTO"THE THINKING OF SOME ARABS ABOUT INDIA'S POSITION, AND THE INDIAN ACTION "SHOULD CARRY US ALONG FOR ANOTHER FEW YEARS."
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